

Message Text

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TAGS: EALR, ENRG, CZ, RO

SUBJECT: CT CHOSLOVAKIA SIGNS 1976 TRADE PACT WITH ROMANIA

1. SUMMARY: CZECHOSLOVAKIA AND ROMANIA CONCLUDED TRADE PACT FOR 1976 IN PRAGUE JANUARY 17, GOODS AND PAYMENT EXCHANGE, ACCORDING TO CZECH PRESS, TO RISE BY 7 BILLION CZECH CROWNS (KCS) THIS YEAR -- AN ENORMOUS INCREASE PARTIALLY, BUT NOT TOTALLY, IN EMBASSY'S VIEW, ACCOUNTED FOR BY INTRA-CEMA PRICE HIKES. ENERGY COMPONENT OF NEW AGREEMENT APPEARS TO BE LARGER THAN IN PAST YEARS, ESPECIALLY AS REGARDS CZECHOSLOVAK IMPORTS OF FUEL OIL. END SUMMARY.

2. NEWSPAPERS CARRIED SHORT ANNOUNCEMENTS JANUARY 19 THAT TRADE PROTOCOL BETWEEN CZECHOSLOVAKIA AND ROMANIA ON EXCHANGE OF GOODS AND PAYMENTS IN 1976 WAS SIGNED IN PRAGUE JANUARY 17 BY DEPUTY FOREIGN TRADE MINISTERS JAN STRBA AND ION STOIAN. ACCORDING TO REPORT ON PROTOCOL ESTABLISHED TARGET
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FOR BILATERAL TRADE TURNOVER IN 1976 OF MORE THAN SEVEN

BILLION KCS (AROUND \$710 MILLION AT CURRENT TOURIST RATE OF EXCHANGE, ALTHOUGH THIS FIGURE SHOULD BE USED ONLY AS LOOSE YARDSTICK, GIVEN OUR LACK OF CLEAR INFORMATION ON INTRA-CEMA EXCHANGE RATES) WORTH OF RAW MATERIALS, ENGINEERING PRODUCTS, AND CONSUMER ARTICLES. SPECIFICALLY, CZECHOSLOVAK EXPORTS TO ROMANIA WILL INCLUDE TRANSPORT TECHNOLOGY, MACHUSZ TOOLS, TEXTILE MACHINERY, POWER EQUIPMENT, COKE, COKING COAL, MALT, HOPS AND CONSUMER GOODS. ROMANIA REPORTEDLY WILL SHIP TO CZECHOSLOVAKIA IN RETURN VARIOUS CONSTRUCTION AND ROAD-BUILDING MACHINERY, TRANSPORT TECHNOLOGY (PRESUMABLY OF A COMPLEMENTARY NATURE), DRILLING EQUIPMENT, TEXTILE MACHINES, METALLURGICAL EQUIPMENT, RAILWAY WAGONS, DIESEL-HYDRAULIC LOCOMOTIVES, BALL-BEARINGS, MAZUT (SIC), ELECTRIC POWER, CORN, VARIOUS CHEMICALS, WOOD MATERIALS, CELLULOSE AND FURNITURE. RUDE PRAVO REPORTS ALSO THAT ROMANIAN ORGANIZATION ARCOM WILL CONTINUE TO PERFORM CONSTRUCTION WORK IN PRAGUE.

3. COMMENT: WITH THE SIGNING OF A 1976 TRADE PACT WITH ROMANIA, CZECHOSLOVAKIA HAS ALMOST COMPLETED THIS YEAR'S ROUND OF TRADE TALKS WITH HER CEMA NEIGHBORS. (ACCORDING TO EMBASSY RECORDS, A TRADE AGREEMENT WITH GDR IS ONLY ONE WHICH REMAINS TO BE CONCLUDED FOR 1976.) OUR INITIAL REACTION TO ROMANIAN AGREEMENT IS ONE OF SURPRISE AT REPORTED SIZE OF INCREASE IN BILATERAL TRADE FOR THIS YEAR. ACCORDING TO OFFICIAL CZECHOSLOVAK TRADE STATISTICS, TOTAL TURNOVER FOR LAST FYP PERIOD (1971-1975) BETWEEN TWO COUNTRIES WAS JUST OVER 12 BILLION KCS AND SLIGHTLY IN CZECHOSLOVAKIA'S FAVOR (ESTIMATE FOR 1975 BASED ON EIGHT-MONTH DATA). GOING BY VERBATIM TRANSLATION OF PRESS ACCOUNTS, TRADE TURNOVER IN 1976 IS TO GROW BY AN INCREMENT REPEAT INCREMENT OF MORE THAN 7 BILLION KCS WHICH, WHEN ADDED TO ESTIMATED TURNOVER FOR 1975 OF AROUND 2.8 BILLION KCS, WOULD MEAN AN INCREASE IN TRADE AT CURRENT (CEMA) PRICES OF 250 PERCENT IN ONE YEAR.

CLEARLY, SUCH A SUDDEN JUMP COULD ONLY REFLECT DRAMATIC INCREASES IN INTRA-CEMA PRICES FOR RAW MATERIALS AND MANUFACTURED GOODS, BUT WE DOUBT THIS COULD ACCOUNT FOR ALL OF INCREASE.

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4. IN LOOKING FOR LIKELY SECTORS IN WHICH PHYSICAL VOLUME OF TRADE MAY BE SLATED FOR DISPROPORTIONATE INCREASES AND THUS HELP TO EXPLAIN ALONG WITH PRICES-- GIANT LEAP IN PROJECTED TRADE TURNOVER, WE SUGGEST THAT ENERGY RAW MATERIALS AND SUPPLIES MAY PROVIDE PART OF ANSWER. AMONG LARGEST SINGLE ITEMS (AT 3-DIGIT SITC LEVEL) IMPORTED FROM ROMANIA IN 1973 AND 1974 WAS ELECTRICAL POWER. IN MEETING WITH JOURNALISTS AT END OF 1975, MINISTER FOR

FUEL AND POWER EHRENBERGER STATED THAT SERIOUS SHORTAGE OF ELECTRIC POWER HAD EXISTED IN FOURTH QUARTER OF LAST YEAR AND PREDICTED A WORSENING SITUATION AS 1976 WINTER WORE ON. EHRENBERGER IS REPORTED TO HAVE SAID THAT CZECHOSLOVAKIA IMPORTED 25 BILLION KILOWATT HOURS (KWH) IN FYP PERIOD JUST ENDED (ABOUT NINE PERCENT OF TOTAL APPARENT CONSUMPTION OF ELECTRICITY DURING 1971-75) AND THAT, ALTHOUGH FOR ECONOMIC REASONS NATION WOULD BE FORCED TO CUT BACK ON POWER IMPORTS IN 1976-1980 PLAN PERIOD TO BETWEEN 16-18 BILLION KWH, COST HAD RISEN TO 3.50 KCS PER KWH (EVEN THOUGH ENTERPRISES PAID ONLY 0.23 KCS PER KWH). THUS, ELECTRICITY IMPORTS FROM ALL SOURCES ON THIS SCALE COULD PRESENT CZECHS WITH BILL OF AS MUCH AS 12 BILLION KCS PER YEAR, MUCH OF IT GOING TO ROMANIA AS LEADING SUPPLIER OF ELECTRICITY TO CZECHOSLOVAKIA AMONG LATTER'S CEMA PARTNERS.

5. MOST INTERESTING AMONG ITEMS OF CZECHOSLOVAK IMPORT, HOWEVER, IS "MAZUT" WHICH, WE UNDERSTAND IS A LIQUID RESIDUE FROM DISTILLATION OF PETROLEUM USED MAINLY AS A FUEL OIL. THIS ITEM HAD NOT APPEARED IN EARLIER CZECHOSLOVAK/ROMANIAN TRADE AGREEMENTS, AS FAR AS EMBASSY RECORDS SHOW, ALTHOUGH IT MAY HAVE BEEN COVERED UNDER CATEGORY OF "PETROLEUM PRODUCTS" WHICH IN 1974 WERE VALUED AT 22 MILLION KCS, OR JUST OVER \$2.5 MILLION AT TOURIST EXCHANGE RATE. WITHOUT ANYTHING FURTHER TO GO ON THAN MEAGER PRESS REPORTS WE ARE HESITANT TO READ TOO MUCH INTO FACT THAT MAZUT NOW RATES SPECIAL MENTION AS AN ITEM OF TRADE. GIVEN ACKNOWLEDGED PROBLEMS CONFRONTING GOVERNMENT AS IT STRIVES TO MAINTAIN AN ENERGY BALANCE SUFFICIENT FOR GROWTH, IT IS A LEAST CONCEIVABLE THAT CZECHOSLOVAKIA WILL BE RECEIVING IN 1976 CONSIDERABLY MORE MAZUT FROM ROMANIA THAN IN PAST, IN EXCHANGE PERHAPS FOR INCREASED DELIVERIES OF COKING COAL AND COKE, HISTORICALLY ONE OF LARGEST (AT 3-DIGIT LEVEL) CATEGORIES LIMITED OFFICIAL USE

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OF CZECH EXPORTS TO ROMANIA.

6. IN COMING WEEKS EMBASSY OFFICER WILL SEEK MEETING WITH ROMANIAN COMMERCIAL COUNSELOR TO SEE WHAT MORE CAN BE LEARNED ABOUT THIS TRADE PACT. IN MEANTIME, WOULD BE GRATEFUL FOR ANYTHING BUCHAREST MIGHT BE ABLE TO ADD RE OUR SPECULATIONS ON ROLE OF INCREASED ENERGY SHIPMENTS IN 1976.

7. FOR USNATO: EMBASSY HAS NO OBJECTION TO THIS REPORT BEING SHARED WITH NATO DELEGATIONS WITH PARA SIX DELETED.
PERRY

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